

AVIATION WAR-RISK INSURANCE

FEBRUARY 22 (legislative day, JANUARY 29), 1951.—Ordered to be printed

Mr. JOHNSON of Colorado, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany S. 435]

The Committee on Interstate and Foreign Commerce to whom was referred the bill (S. 435) to amend the Civil Aeronautics Act of 1938, as amended, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

To section 1306, add two subsections as follows:

(d) Annual payments shall be made by the Secretary to the Treasury of the United States as miscellaneous receipts by reason of costs incurred by the Government through the employment of appropriated funds by the Secretary in carrying out the provisions of this title. These payments shall be computed by applying to the average monthly balance of appropriated funds retained in the revolving fund a percentage determined annually in advance by the Secretary of the Treasury. Such percentage shall not be less than the current average rate which the Treasury pays on its marketable obligations.

(e) The Secretary shall contribute to the Civil Service Retirement and Disability Fund, on the basis of annual billings as determined by the Civil Service Commission, for the Government's share of the cost of the Civil Service Retirement System applicable to the employees engaged in carrying out the provisions of this title. The Secretary shall also contribute to the employees' compensation fund, on the basis of annual billings as determined by the Federal Security Administrator for the benefit payments made from such fund on account of the employees engaged in carrying out the provisions of this title. The annual billings shall also include a statement of the fair portion of the cost of the administration of the respective funds which shall be paid by the Secretary into the Treasury as miscellaneous receipts.

In section 1307 (f), page 9, line 4, insert the word "aviation" before the word "insurance".

PURPOSE

The purpose of this bill is to authorize the Secretary of Commerce to provide war-risk insurance adequate to the needs of air commerce of the United States. The authority proposed to be granted may be

exercised only with the approval of the President, and after such consultation with interested agencies of the Government as the President may require, whenever it appears that such insurance cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States. The bill calls for the addition of a new title designated Title XIII, War Risk Insurance, to the Civil Aeronautics Act of 1938, the provisions of such title being for the same purposes and similar in context to the recently enacted title XII of the Merchant Marine Act of 1936 entitled "War Risk Insurance."

The ordinary insurance policy now in effect covering aircraft, covers the usual perils of fire, damage, etc., and excepts certain named war risks from coverage. These exceptions, known as "free from capture and seizure," or analogous clauses, are generally standard in content and exclude from coverage under the policy covering usual hazards any claim for loss, damage, or expense arising out of incidents of war. A typical war-risk exclusion clause is set out below.¹ These war risks are insured against separately either by adding a rider to the original policy or by purchase elsewhere.

JUSTIFICATION

The most compelling reason why this legislation was needed for vessels and is needed for aircraft is that commercial war-risk insurance, to the extent it can be secured, is subject to termination on short notice and is otherwise inadequate. War-risk insurance, available for vessels at the time of the hearings on the bill which became Public Law 763, provided for automatic termination in the event of the outbreak of war between any of the four great powers, France; Great Britain, including the British Commonwealth of Nations; the Union of Soviet Socialist Republics; and the United States of America. Commercial war-risk insurance, available for aircraft, is subject to cancellation on 48 hours notice. The problems faced by aircraft operators have recently been illustrated in the Korean airlift. Aircraft were made available to the United States Government subject to contract, and war-risk insurance was purchased in the commercial market, but such insurance was subject to cancellation on 48 hours' notice. It is important to bear in mind that under such conditions commercial war-risk-insurance coverage is virtually useless because it permits the assessment of very high premiums but is subject to cancellation at the time insurance is needed most.

Without war-risk-insurance coverage the operator of aircraft has a choice of taking the risk for war damage or of landing his aircraft in a safe airport and suspending operations. The operator cannot be expected to assume the risk of the loss of his aircraft from war damage, because of the concentrated high value which could be totally lost. If he undertook such risk he would have to demand compensation so high that it would curtail the services and inflate the rates for cargo carried.

¹ A typical war-risk exclusion clause: "This policy does not cover, anything herein to the contrary notwithstanding, loss or damage due to or resulting from: (1) Capture, seizure, arrest, restraint, or detention, or the consequences thereof or of any attempt thereat, or any taking of the property insured or damaged to or destruction thereof by any Government or governmental authority or agent (whether secret or otherwise) or by any military, naval, or usurped fire, whether any of the foregoing be done by requisition or otherwise and whether in time of peace or war and whether lawful or unlawful; (2) war, invasion, civil war, revolution, rebellion, insurrection, or warlike operations, whether there be a declaration of war or not; (3) strikes, riots, or civil commotions; (4) malicious mischief, sabotage, or any intentional injury or destruction (or attempt thereof) by any person whatsoever."

War-risk insurance similar to that proposed in this bill was not made available for aircraft during the last war. At that time the limited air operations across the Atlantic and Pacific were taken over by the United States Government. Title to the aircraft was transferred and the risk assumed by our Government although the operations were conducted under contract by the airlines. The commercial airline services overseas have grown enormously since that time. The revenue plane-miles operated across the Atlantic and the Pacific Oceans by commercial airlines increased from 1,562,184 in 1939 to 62,293,979 in 1949; the cargo ton-miles have increased from 542,215 in 1939 to 53,041,019 in 1949; and the passengers carried have increased from 5,533 to 516,162. The importance of air movement to our defense effort is not only shown in the totals carried but also in the swift movement of selected materials; for example, new bazookas and drugs, and plasma to battle areas. Because of the expansion of these operations the committee is of the opinion that they should be continued to the extent feasible by private operators and that Government war-risk insurance should be available to such operators to prevent suspension of services because of lack of commercial insurance against war hazards.

While the commercial markets may be able to provide all or a major part of the insurance that may be required, it is most essential that the Secretary of Commerce be authorized to provide war-risk insurance if a situation arises bringing into effect termination clauses in the war-risk policies.

There is ample precedent for this type of legislation. During both World Wars I and II marine war-risk insurance similar to that proposed in this bill was provided for vessels and in September 1950 the Eighty-first Congress again enacted stand-by legislation to permit this type of insurance for vessels (Public Law 763). Conditions during past wars demonstrated that international transportation conditions can change so rapidly, that almost without warning international carriers are threatened with such great hazards that the usual insurance markets cannot undertake to supply the required protection for transportation against war perils.

The need for this legislation is not lessened by the fact that some aircraft are operated under contract between the carriers and the United States Government. The aircraft under such contracts are insured by the Government because the Government agrees to indemnify the operator for specified losses. The primary need for this legislation is not to provide insurance for such operations, although the agencies contracting for such services could utilize the administrative facilities carrying out the program of war risk insurance under S. 435. This legislation is needed to make insurance available for the commercial operations apart and aside from those carried on under contract.

It is not necessary that the insurance necessarily involve cost to the United States. S. 435 provides that to the extent practicable the premiums to be paid shall reflect the risk. Marine war-risk insurance was provided during the last war for property with a value of nearly \$6,500,000,000 and the provision of such insurance made a profit for the United States Treasury. The premiums collected from private industries and from the War Shipping Administration were both in excess of the losses under the policies. The report of the Comptroller

General for the fiscal years 1948 and 1949 summarizes the insurance activities and in effect shows that a substantial sum of money was covered into the Treasury and that there was an excess of premiums and other credits over amounts expended in the settlement of losses.

The Department of Commerce, of all Government agencies, could in our opinion, administer this proposed aviation war-risk insurance program most efficiently and with the least cost to the taxpayer because the marine war-risk insurance program, which is similar to the proposed aviation insurance program, is administered by the Department of Commerce, and because the same insurers underwriting marine risks underwrite the bulk of risks in aviation.

This bill follows very closely the marine war-risk insurance legislation enacted on September 7, 1950. It varies first only to the extent necessary to make it applicable to aircraft and, secondly, it is more restrictive than the marine legislation in that it limits the insurance to be issued to war-risk insurance. Furthermore, the bill authorizes suits under it in the district courts of the United States rather than in the admiralty courts. Aviation matters are not normally litigated in such courts and there is no reason for creating this type of jurisdiction in such courts.

To delay the enactment of this type of legislation until further international warfare occurs, may then require a hasty improvisation of procedures and arrangements which can be costly, both to the Government and the operators, and have a deterrent effect on the flow of vital commerce. The recent extensive study of war-risk insurance for marine transportation which led to the enactment of Public Law 763, in the Eighty-first Congress, provides a general parallel to the present proposal and should permit prompt enactment of this legislation. The interested Government agencies, the committees of Congress, and the representatives of insurance industries spent many months in the study of the problems involved in war-risk insurance of the maritime industry. While these studies are fresh in the minds of those interested, the consideration of this bill can be expedited.

AMENDMENTS

The amendment to section 1306 was recommended by the General Accounting Office. The insurance program contemplated by this proposed legislation is essentially a business-type enterprise and, as a matter of sound accounting principles, should pay all costs incurred by the United States Treasury in making funds available for its operation and the cost incurred by the Government in providing civil-service retirement and disability fund benefits, and in making contributions to the employees compensation fund. This amendment so provides.

In section 1307 (f), page 9, line 4, the Assistant Secretary of Commerce recommends the insertion of the word "aviation" after the word "The." This will permit the Secretary to follow the practices in the aviation insurance business and make this section consistent with section 1307 (c).

SECTION BY SECTION ANALYSIS OF THE BILL

Section 1301 (a) defines American aircraft to include civil aircraft of the United States, as defined in section 1 (15) of the Civil Aeronautics Act of 1938, any aircraft chartered by or made available to the

United States or any department or agency thereon, or the government of any State, or any political subdivision thereof, or the District of Columbia.

Section 1301 (b) defines "war risks" to include, to such extent as the Secretary may determine, all or any part of those risks which are described in free of capture and seizure or analogous clauses. These clauses are standard in content and exclude from coverage any claim for loss, damage, or expense caused by or resulting from capture, seizure, arrest, restraint, or detainment, or the consequences thereof or of any attempt thereat, or any taking of the aircraft by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise: Also from all consequences of hostilities or warlike operations (whether there be a declaration of war or not), piracy, civil war, revolution, rebellion, or insurrection, or civil strife arising therefrom. Any risk included in such a clause whether excluded specifically in the insurance policy or by interpretation is a "war risk" and can be covered by the Secretary under this bill.

Section 1301 (c) designates the Secretary of Commerce as the officer empowered to provide the insurance.

Section 1302 (a) provides that the Secretary of Commerce, with the approval of the President, may provide insurance and reinsurance against loss or damage by war risks whenever it appears that such insurance adequate for the needs of the air commerce of the United States cannot be obtained on reasonable terms and conditions from underwriters authorized to do an insurance business in a State of the United States. Because of the conditions existing in the world today, circumstances may arise which would compel the operators of aircraft to seek war risk insurance when such insurance is not available commercially under reasonable terms and conditions. Under these conditions, it is highly desirable that the Government should have the power to issue war-risk insurance. The last clause in this section limits the scope of the bill so the Secretary cannot provide war risk insurance on aircraft and cargo which remain in the United States. This avoids duplicating the insurance made available for such property by a general war damage act applicable to property in the United States.

Section 1302 (b) provides that any insurance or reinsurance issued under any of the provisions of this bill shall be based insofar as practicable on consideration of the risk involved. This is an important difference from the marine war-risk insurance law in effect during the last war, which provided that insurance or reinsurance should be provided "at nominal or other rate basis * * * (after consultation with the Office of Price Administration or other agency) * * *"^{46 U. S. C. 1128 A (1944)}. The change in language authorizes the Secretary to establish premiums on an insurance basis to avoid, to the extent possible, losses to the Government from this insurance activity. There appears to be no actuarial bases upon which war-risk insurance premiums may be predetermined and, accordingly, the fixing of premium rates requires a high degree of judgment based upon conditions at any given time in a given area.

Section 1303 describes the persons, property, and interest which may be covered by war-risk insurance under the bill. These include:

(a) American aircraft and those foreign aircraft owned by citizens of the United States or engaged in aircraft operations deemed by the Secretary to be in the interest of the national defense or the national

economy of the United States, when so engaged. This language is broad enough, particularly in its reference to foreign-flag aircraft to include such aircraft when engaged in operations deemed to be in the interest of the national defense or national economy.

(b) Cargoes shipped or to be shipped on any such aircraft, including shipments by express or registered mail.

(c) The personal effects and baggage of the captains, pilots, officers, and crews of such aircraft, and other persons transported on such aircraft.

(d) Captains, pilots, officers, members of the crew of such aircraft and other persons employed or transported thereon against loss of life, injury, detention by an enemy following capture.

(e) Statutory or contractual obligation or other liabilities of such aircraft, or the owner or operator of such aircraft of the nature customarily covered by insurance.

Section 1304 authorizes any department or agency of the United States to procure, with the approval of the President, from the Secretary of Commerce any of the insurance provided under this bill except as provided in the act of July 8, 1937 (50 Stat. 479). The latter act establishes a procedure for insuring, with the Secretary of the Treasury, Government property while it is being transported. The language contained in the latter part of this section is to prevent duplicate insurance on property of the United States Government.

Section 1305 would authorize the Secretary of Commerce, to the extent that he is authorized by this title to provide insurance, to reinsure, in whole or in part risks assumed by any company authorized to do an insurance business in any State of the United States, and to obtain reinsurance from any such company. This permits a distribution of the large risks involved but provision is made to prevent any private company from obtaining a profit advantage by virtue of reinsurance provided or obtained by the Government. For this purpose, the bill states that reinsurance shall not be provided by the Secretary at rates less than or obtained by the Secretary at rates more than the rates established by him on the same or similar risks or the rates charged by the insurance carrier for the insurance so reinsured, whichever is most advantageous to the Government.

Section 1306 provides that all moneys appropriated by Congress or received from premiums, salvage, or other recoveries in connection with this title shall be deposited in a revolving fund in the Treasury Department.

The fund was established in the Treasury rather than in the Department of Commerce to coincide with existing fiscal policies and to be consistent with the marine war-risk insurance legislation. The amendment to this section will further the business-type aspects of this program.

Section 1307 (a) authorizes the Secretary to issue such policies, rules, and regulations as he deems proper and to adjust and pay losses, compromise, and settle claims. This subsection provides that the amount of any claim paid with respect to any aircraft insured under this bill shall not exceed any amount determined by the Secretary, after consultation with the Civil Aeronautics Board, to represent the fair and reasonable value of the aircraft. This subsection also provides that the amount of the insurance once determined shall be stated in the policy and binding on the insured and the Secretary and the amount so stated shall be paid in the event of total loss.

Section 1307 (b) authorizes the Secretary to prescribe and change policy forms, premium rates, and makes clear that any such changes shall not apply to policies in effect at the time of such change without the consent of the insured.

Section 1307 (c) authorizes the Secretary in the administration of the title to exercise his powers, perform his duties and functions, and make expenditures in accordance with commercial practices in the aviation insurance business. This subsection further provides that except as authorized in subsection no insurance broker or any other person acting in a similar intermediary capacity shall be paid any fee or other consideration by virtue of his participation in arranging any insurance where the Secretary directly insures any of the risk thereof.

Section 1307 (d) of the bill provides that the Secretary may, and whenever he finds it practical to do so shall, employ companies or groups of companies authorized to do aviation insurance business in any State of the United States to act as underwriting and settling agent. To employ the services and facilities of companies experienced in the insurance field to act as agents of the Government will avoid the establishment of numerous offices by the United States Government. This bill does not limit the companies who may participate to domestic companies as does the comparable marine legislation, because in the normal commercial insurance practice, many operators of aircraft purchase their aviation insurance from such nondomestic companies. Unless these companies may serve as agents, those operators would have to go to other insurance companies to buy their war-risk policies. This would make for inconvenience and duplication of efforts. It was concluded therefore that foreign companies be permitted to serve as agents. American interests are adequately protected by the requirements that insuring companies must be admitted to do an insurance business in a State of the United States.

The bill makes it clear that although the services of underwriting agents might be utilized in the adjustment of claims, no claim is to be paid unless and until it has been approved by the Secretary. The bill provides for compensation of such underwriting agents permitting the inclusion of allowance for expenses reasonably incurred by such agents but provides that such allowance shall not include any payment by such agent on account of solicitation for or stimulation of new business.

Section 1307 (f) requires that the Secretary shall prepare annually and submit a budget program and maintain an integral set of accounts which shall be audited annually by the GAO in accordance with principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act.

On page 9, line 4, we recommend the insertion of the word "aviation" after the word "The". This will permit the Secretary to follow the practices in the aviation insurance business and make this section consistent with section 1307 (c).

Section 1308 provides that nothing in this title shall affect rights of airmen under existing law.

Section 1309 requires the Secretary to include in his annual report to Congress a detailed statement of all activities and all expenditures and receipts under the title for the period covered by the report, and in addition make quarterly progress reports to Congress.

Section 1310 provides that in the event of any disagreement arising out of a loss insured under the bill suit may be brought against the

United States in the United States district court in which the claimant or his agent resides, thus claimants are reserved full right of judicial review in the event of disputes arising out of claims for losses on account of insurance under the title. This differs from the comparable provision in the marine war-risk insurance law, since suits under that law will be brought in the admiralty courts, whereas suits under this bill would be brought in the district courts. This change is made because litigation involving the aircraft operators is not usually heard in the admiralty courts.

Section 1311 provides that a person having an insurable interest in an aircraft may with the approval of the Secretary insure with other underwriters in an amount in excess of the amount insured with the Secretary of Commerce, and in that event the Secretary shall not be entitled to the benefit of such insurance. This section is taken from the Marine War Risk Insurance Act where it was adopted to clearly permit an owner to purchase additional insurance at his own expense. Since the Secretary shall determine what in his opinion is the fair and reasonable value of aircraft, it is appropriate to permit the owner, particularly in cases where he feels the aircraft is worth more than the value established by the Secretary, to secure additional insurance. This section provides, however, that this does not prevent the Secretary from entering into contracts of coinsurance.

Section 1312 provides that the authority of the Secretary to provide insurance and reinsurance under this title expires 5 years from the date of enactment thereof. This provision follows the maritime war-risk insurance law. The committee believes that it is desirable to provide a limitation on the grant of the powers contained in the law, so Congress could review the matter within a reasonable time if any such authority might still be needed 5 years after its enactment.

CONCLUSION

Your committee received letters from the Civil Aeronautics Board and Department of Commerce urging the prompt enactment of this legislation. The committee also received reports from the Secretary of State, the Secretary of the Treasury, the Comptroller General, the National Advisory Committee for Aeronautics, and the Interstate Commerce Commission. The air carrier industry urged prompt enactment of this bill and the aviation insurance underwriters indicated they had no objection to the legislation in this form. The bill has the approval of the Bureau of the Budget.

Your committee believes it is amply evident that with world conditions in their present unsettled state it is necessary that authority be provided whereby the Government might issue war-risk insurance when commercial aviation insurance companies cannot or will not do so. Therefore, in order to be prepared for eventualities over which we may not have control, your committee urges the prompt enactment of this legislation.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics; existing law in which no change is proposed is shown in roman):

THE CIVIL AERONAUTICS ACT OF 1938

TITLE I—GENERAL PROVISIONS

SECTION 1 * * *

* * * * *

TITLE XIII—WAR RISK INSURANCE

SEC. 1301. As used in this title—

(a) The term "American aircraft" includes "civil aircraft of the United States" as defined in section 1 (15) of this Act, and any aircraft owned or chartered by or made available to the United States, or any department or agency thereof, or the government of any State, Territory, or possession of the United States, or any political subdivision thereof, or the District of Columbia.

(b) The term "war risks" includes, to such extent as the Secretary may determine, all or any part of those risks which are described in "free of capture and seizure" clauses, or analogous clauses.

(c) The term "Secretary" means the Secretary of Commerce.

SEC. 1302. (a) The Secretary, with the approval of the President, and after such consultation with interested agencies of the Government as the President may require, may provide insurance and reinsurance against loss or damage arising out of war risks in the manner and to the extent provided in this title, whenever it is determined by the Secretary that such insurance adequate for the needs of the air commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States: Provided, That no insurance shall be issued under this title to cover war risks on persons or property engaged or transported exclusively in air commerce within the continental United States (excluding Alaska).

(b) Any insurance or reinsurance issued under any of the provisions of this title shall be based, insofar as practicable, upon consideration of the risk involved.

SEC. 1303. The Secretary may provide the insurance and reinsurance, authorized by section 1302 with respect to the following persons, property, or interest:

(a) American aircraft, and those foreign-flag aircraft owned by citizens of the United States or engaged in aircraft operations deemed by the Secretary to be in the interest of the national defense or the national economy of the United States, when so engaged.

(b) Cargoes transported or to be transported on any such aircraft, including shipments by express or registered mail; air cargoes owned by citizens or residents of the United States, its Territories, or possessions; air cargoes imported to, or exported from, the United States, its Territories, or possessions and air cargoes sold or purchased by citizens or residents of the United States, its Territories, or possessions, under contracts of sale or purchase by the terms of which the risk of loss by war risks or the obligation to provide insurance against such risks is assumed by or falls upon a citizen or resident of the United States, its Territories, or possessions; air cargo transported between points in the United States and its Territories and possessions or between points in such Territories or possessions.

(c) The personal effects and baggage of the captains, pilots, officers, and crews of such aircraft, and of other persons transported on such aircraft.

(d) Captains, pilots, officers, members of the crews of such aircraft, and other persons employed or transported thereon against loss of life, injury, and detention by an enemy of the United States.

(e) Statutory or contractual obligations or other liabilities of such aircraft or of the owner or operator of such aircraft of the nature customarily covered by insurance.

SEC. 1304. (a) Any department or agency of the United States may, with the approval of the President, procure from the Secretary any of the insurance as provided for in this title, except as provided in sections 1 and 2 of the Act of July 8, 1937 (50 Stat. 479).

(b) The Secretary is authorized with such approval to provide such insurance at the request of the Secretary of Defense, and such other agencies as the President may prescribe, without premium in consideration of the agreement of the Secretary of Defense or such agency to indemnify the Secretary against all losses covered by such insurance, and the Secretary of Defense and such other agencies are authorized to execute such indemnity agreement with the Secretary.

SEC. 1305. (a) To the extent that he is authorized by this title to provide insurance, the Secretary may reinsure, in whole or in part, any company authorized to do an insurance business in any State of the United States. The Secretary may reinsure with, or cede or retrocede to, any such company, any insurance or reinsurance provided by the Secretary in accordance with the provisions of this title.

(b) Reinsurance shall not be provided by the Secretary at rates less than nor obtained by the Secretary at rates more than the rates established by the Secretary on the same or similar risks or the rates charged by the insurance carrier for the insurance so reinsured, whichever is most advantageous to the Secretary, except that the Secretary may make to the insurance carrier such allowances for expenses on account of the cost of services rendered or facilities furnished as he deems reasonably to accord with good business practice, but such allowance to the carrier shall not provide for any payment by the carrier on account of solicitation for or stimulation of insurance business.

SEC. 1306. (a) Moneys appropriated by Congress to carry out the provisions of this title and all moneys received from premiums, salvage, or other recoveries and all receipts in connection with this title shall be deposited in a revolving fund in the Treasury of the United States. Payments of return premiums, losses, settlements, judgments, and all liabilities incurred by the United States under this title shall be made from such funds through the disbursing facilities of the Treasury Department.

(b) Such sums as shall be necessary to carry out the provisions of this title are authorized to be appropriated to such fund.

(c) At least annually, any balance in the revolving fund in excess of an amount determined by the Secretary to be necessary for the requirements of the fund, and for reasonable reserves to maintain the solvency of the fund shall be paid into the Treasury as miscellaneous receipts.

(d) Annual payments shall be made by the Secretary to the Treasury of the United States as miscellaneous receipts by reason of costs incurred by the Government through the employment of appropriated funds by the Secretary in carrying out the provisions of this title. These payments shall be computed by applying to the average monthly balance of appropriated funds retained in the revolving fund a percentage determined annually in advance by the Secretary of the Treasury. Such percentage shall not be less than the current average rate which the Treasury pays on its marketable obligations.

(e) The Secretary shall contribute to the Civil Service Retirement and Disability Fund, on the basis of annual billings as determined by the Civil Service Commission, for the Government's share of the cost of the Civil Service Retirement System applicable to the employees engaged in carrying out the provisions of this title. The Secretary shall also contribute to the employees' compensation fund, on the basis of annual billings as determined by the Federal Security Administrator for the benefit payments made from such fund on account of the employees engaged in carrying out the provisions of this title. The annual billings shall also include a statement of the fair portion of the cost of the administration of the respective funds, which shall be paid by the Secretary into the Treasury as miscellaneous receipts.

SEC. 1307. (a) The Secretary, in the administration of this title, may issue such policies, rules, and regulations as he deems proper and may adjust and pay losses, compromise and settle claims, whether in favor of or against the United States and pay the amount of any judgment rendered against the United States in any suit, or the amount of any settlement agreed upon, in respect of any claim under insurance authorized by this title, but with respect to any aircraft which is insured under the provisions of this title, the amount of the claim adjusted, compromised, settled, adjudged, or paid shall in no event exceed the amount stated in the policy, which shall not exceed an amount determined by the Secretary after consultation with the Civil Aeronautics Board to represent the fair and reasonable value of the aircraft. Each policy shall provide a stated amount to be paid in the event of total loss.

(b) The Secretary may prescribe and change forms and policies, and fix, adjust, and change the amounts insured and rates of premium provided for in this title: Provided, That with respect to policies in effect at the time any such change is made, such change shall apply only with the consent of the insured.

(c) The Secretary, in administering this title, may exercise his powers, perform his duties and functions, and make his expenditures, in accordance with commercial practice in the aviation insurance business. Except as authorized in subsection (d) of this section, no insurance broker or other person acting in a similar intermediary capacity shall be paid any fee or other consideration by the Secretary by virtue of his participation in arranging any insurance wherein the Secretary directly insures any of the risk thereof.

(d) The Secretary may, and whenever he finds it practical to do so shall, employ companies or groups of companies authorized to do an aviation insurance business in any State of the United States, to act as his underwriting agent. The Secretary may allow such companies or groups of companies fair and reasonable compensation for servicing insurance written by such companies or groups of companies as underwriting agent for the Secretary. The services of such underwriting agents may be utilized in the adjustment of claims under insurance provided by this title, but no

claim shall be paid unless and until it has been approved by the Secretary. Such compensation may include an allowance for expenses reasonably incurred by such agent, but such allowance shall not include any payment by such agent on account of solicitation for or stimulation of insurance business.

(e) The Secretary with the consent of any executive department, independent establishment, or other agency of the Government, including any field service thereof, may avail himself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this title.

(f) The Secretary, in the performance of, and with respect to, the functions, powers, and duties vested in him by this title, shall prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act as amended (59 Stat. 597; 31 U. S. C. 841). The Secretary shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial transactions as provided by the said Government Corporation Control Act: Provided, That because of the business activities authorized by this title, the Secretary may exercise the powers conferred in said title, perform the duties and functions, and make expenditures required in accordance with commercial practice in the aviation insurance business, and the General Accounting Office shall allow credit for such expenditures when shown to be necessary because of the nature of such authorized activities.

SEC. 1308. This title shall not affect rights of airmen under existing law.

SEC. 1309. The Secretary shall include in his annual report to Congress a detailed statement of all activities and of all expenditures and receipts under this title for the period covered by such report and in addition make quarterly progress reports to the Congress with reference to contracts entered into, proposed contracts, and the general progress of his insurance activities.

SEC. 1310. Upon disagreement as to a loss insured under this title, suit may be maintained against the United States in the United States District Court for the District of Columbia or in the United States district court in and for the district in which the claimant or his agent resides, notwithstanding the amount of the claim and any provision of existing law as to the jurisdiction of United States district courts, and this remedy shall be exclusive of any other action by reason of the same subject matter against any agent or employee of the United States employed or retained under this title. If the claimant has no residence in the United States, suit may be brought in the United States District Court for the District of Columbia or in any other United States district court in which the Attorney General of the United States agrees to accept service. The procedure in such suits shall otherwise be the same as that provided for suits in the district courts by title 28, United States Code, section 1346

(a) (2), so far as applicable. All persons having or claiming or who might have an interest in such insurance may be made parties either initially or upon the motion of either party. In any case where the Secretary acknowledges the indebtedness of the United States on account of such insurance, and there is a dispute as to the persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against such parties, in the United States District Court for the District of Columbia, or in the United States district court of the district in which any such person resides. In such actions any party, if not a resident of or found within the district, may be brought in by order of court served in such reasonable manner as the court directs. If the court is satisfied that persons unknown might assert a claim on account of such insurance, it may direct service upon such persons unknown by publication in the Federal Register. Judgment in any such suit shall discharge the United States from further liability to any parties to such action, and to all persons when service by publication upon persons unknown is directed by the court. The period within which suit may be commenced contained in said Act providing for bringing of suits against the United States shall, if claim be filed therefor within such period, be suspended from such time of filing until the claim shall have been administratively denied by the Secretary and for sixty days thereafter: Provided, however, That such claim shall be deemed to have been administratively denied if not acted upon within six months after the time of filing, unless the Secretary for good cause shown shall have otherwise agreed with the claimant.

SEC. 1311. A person having an insurable interest in an aircraft may, with the approval of the Secretary, insure with other underwriters in an amount in excess of the amount insured with the Secretary, and, in that event, the Secretary shall not be entitled to the benefit of such insurance, but nothing in this section shall prevent the Secretary from entering into contracts of coinsurance.

SEC. 1312. The authority of the Secretary to provide insurance and reinsurance under this title shall expire five years from the date of enactment of this title.

